



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 8/20/2004

**GAIN Report Number:** TU4028

## Turkey

### Grain and Feed

### Wheat Update

### 2004

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**Report Highlights:**

Turkey's 2004 wheat production forecast is increased 500,000 MT to 17.7 MMT. There are some quality problems such as rust in the Thrace region affecting about 500,000 MT and the perennial Sunni pest damage. TMO is also poised to play a larger role in wheat procurement and marketing this year, and is expected to purchase at least 2 MMT of wheat from farmers at announced prices. This amount of wheat held by TMO could have implications for imports and exports.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Ankara [TU1]  
[TU]

Turkey's 2004 wheat production forecast is increased 500,000 MT to 17.7 MMT due to favorable weather during the spring and early summer harvest periods. This is the largest production level since 1998. Some quality problems have been noted by industry sources. First, the Thrace region has suffered some rust damage due to rains right before and during the harvest. The Thrace Region generally grows about 2-2.5 MMT of wheat. The production is expected to be at the upper limit this year. About 500,000 MT of the wheat product is considered to be contaminated with rust. This year's wheat crop is also subject to the perennial problem of Sunni pest. The problem, however, is less significant in MY 2004 compared to recent years. After successive years of Sunni pest damage, farmers now have a better understanding of the close relationship between product quality and Sunni bug damage. Hence, farmers have taken more preventative measures such as spraying.

As with corn and rice, the Turkish Grain Board (TMO), is showing signs that it will play a much larger role in the wheat market this year. TMO has already purchased 1.5 MMT of wheat in MY 2004 and is expected to procure up to 2 MMT by the end of the season. This compares to only 550,000 MT of wheat purchased by TMO in MY 2003. TMO is purchasing more wheat this year to protect farmers from 'low' prices. In early August TMO increased its procurement price for hard red milling wheat to 370,500 TL/kg (USD 256/MT). This price varies slightly depending on various quality factors. The commercial price offered at regional commodity exchanges or directly from millers has fallen below the TMO price, resulting in farmers opting to sell their wheat to TMO. TMO is somewhat obliged to purchase this wheat, despite requirements that it is not allowed to incur losses due to these procurements. Factoring in carry-in stocks, TMO may end up holding 3 MMT of wheat stocks by the end of the season. The procurement price for durum wheat was not increased in August, as TMO has procured up to 700,000 MT of durum in the past two seasons (500,000 MT in MY 2004). (1 USD = TL 1,445,000)

If TMO stocks reach 2-3 MMT, TMO will remain an important market player until it is able to dispose of its stocks. The Ministry of Agriculture is rumored to be already working on some means to sell this wheat. The GOT may issue a decree and force wheat flour and flour product exporters to buy wheat from TMO, in lieu of what they would normally import. Flour and flour product exporters are normally eligible to import wheat against export receipts. Outside of EU quotas, no other wheat imports are allowed. Thus, one option to dispose of stocks would be to require flour and flour product exporters to buy at least some part of their wheat needs from TMO (probably 60 percent) at "world market prices". "World market prices" are implied to be lower than the domestic market prices. Another option would be for TMO to export wheat, although this would result in significant losses. Sources indicate that TMO is likely to implement one if not both of these options for durum wheat, as it is holding about 700,000 MT.

There are also market rumors that TMO will limit wheat imports by raising the protein requirement to 14%. Industry sources indicate that there would be potential problems with this measure, as needs are very different among millers. The requirement of a test for protein content is vulnerable to abuse at points of import.

Turkish wheat equivalent exports are raised 200,000 MT to 1.2 MMT based on an expected increase in flour and flour product exports. As a result, imports are raised 200,000 MT to 1.0 MMT. These trade estimates do not reflect any potential policy changes that will influence imports and exports as discussed above. If TMO formalizes a policy to subsidize wheat exports, or provide millers discount wheat in lieu of imports, these figures will be adjusted. Turkish wheat flour exports in MY 2003 (June 2003 - May 2004) were 528,262 MT, according to official trade data. The wheat equivalent of this flour is 733,000 MT. Exports for Iraq in this period totaled 70,851 MT. An additional 1,767 MT was exported from Mersin and Aegean

Free Zones and may also be destined for Iraq. Thus, total flour exports to Iraq may reach about 73,000 MT.

<b>Turkey Wheat</b>						
	<b>2002</b>	<b>Revised</b>	<b>2003</b>	<b>Estimate</b>	<b>2004</b>	<b>Forecast</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>
<b>Market Year Begin</b>		06/2002		06/2003		06/2004
<b>Area Harvested</b>	8550	8550	8600	8600	8600	8600
<b>Beginning Stocks</b>	1011	855	1258	1395	1408	1590
<b>Production</b>	16800	16800	16800	16800	17200	17700
<b>TOTAL Mkt. Yr. Imports</b>	1241	1485	1100	1485	800	1000
<b>Jul-Jun Imports</b>	1217	1445	1100	1455	800	1000
<b>Jul-Jun Import U.S.</b>	1	28	0	104	0	100
<b>TOTAL SUPPLY</b>	19052	19140	19158	19680	19408	20290
<b>TOTAL Mkt. Yr. Exports</b>	794	745	750	940	1000	1200
<b>Jul-Jun Exports</b>	839	780	800	960	1000	1200
<b>Feed Dom. Consumption</b>	1000	1250	1000	1250	1000	1100
<b>TOTAL Dom. Consumption</b>	17000	17000	17000	17150	17200	17250
<b>Ending Stocks</b>	1258	1395	1408	1590	1208	1840
<b>TOTAL DISTRIBUTION</b>	19052	19140	19158	19680	19408	20290

# Export Trade Matrix

Country Turkey  
Commodity Wheat

Time Period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2003	Jan. - June	2004
U.S.	1	U.S.	
Others		Others	
Tajikistan	300	Iraq	392
Germany	177	Germany	101
Georgia	156	Macedonia	39
Jordan	69	Netherlands	15
Israel	40	Belgium	15
Netherlands	33	Hungry	7
Belgium	28	Denmark	6
Macedonia	27	Sweden	6
Hungry	22	United Kingdom	5
Austria	15	Austria	4
Total for Others	867		590
Others not Listed	70		14
Grand Total	938		604

# Import Trade Matrix

Country Turkey  
Commodity Wheat

Time Period	Jan. - Dec.	Units:	Metric Tons
Imports for:	2003	Jan. - June	2004
U.S.	55226	U.S.	84534
Others		Others	
Russia	593548	Australia	240117
Kazakhstan	533125	Canada	160204
Germany	428161	Brazil	70516
Canada	108131	Austria	38476
Lithuania	38359	Germany	27713
Ukraine	24174	Argentina	21209
Romania	21367	Russia	19535
Hungry	14464	Romania	18632
Bulgaria	8750	Hungry	14433
France	3501	Paraguay	12489
Total for Others	1773580		623324
Others not Listed	9933		31195
Grand Total	1838739		739053